

AMENDED IN ASSEMBLY APRIL 8, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 728

Introduced by Assembly Member Hadley

February 25, 2015

An act to amend Section 13405 of, ~~and to add Section 13887.4 to,~~
the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

AB 728, as amended, Hadley. State government: financial reporting.

~~(1) Existing~~

Existing law, the Financial Integrity and State Manager's Accountability Act of 1983 (FISMA), provides that state agency heads are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies, as specified. Existing law requires state agency heads covered by the FISMA to, biennially, conduct an internal review and prepare a report on the adequacy of the agency's systems of internal accounting, administrative control, and monitoring practices. Copies of the reports are required to be submitted to the Legislature, the California State Auditor, the Controller, the Treasurer, the Attorney General, the Governor, the director, and to the State Library where the copies are required to be available for public inspection.

This bill would also require the report to be posted on the agency's Internet Web site within 5 days of finalization.

~~(2) Existing law requires the internal auditor operations of any state agency that does not report to a governing body to meet certain requirements, including, among others, the requirement that the chief internal auditor report audit findings and recommendations made under~~

~~his or her jurisdiction to the head or deputy head of the state agency and to the general counsel to the state agency, as specified. Existing law requires the internal auditor operations of any state agency that is overseen by a governing body to meet certain requirements, including, among others, the requirement that the chief internal auditor report audit findings and recommendations made under his or her jurisdiction to the audit committee and the general counsel to the governing body.~~

~~This bill would require a state agency to post any audit findings and recommendations on its Internet Web site within 5 days of a report of audit findings and recommendations to either the head or deputy head of the state agency and to the general counsel to the state agency, in the case of a state agency that does not report to a governing body, or to the audit committee and the general counsel to the governing body, in the case of a state agency that is overseen by a governing body.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 13405 of the Government Code is
- 2 amended to read:
- 3 13405. (a) To ensure that the requirements of this chapter are
- 4 fully complied with, the head of each state agency that the director
- 5 determines is covered by this section shall, on a biennial basis but
- 6 no later than December 31 of each odd-numbered year, conduct
- 7 an internal review and prepare a report on the adequacy of the
- 8 agency's systems of internal accounting, administrative control,
- 9 and monitoring practices in accordance with the guide prepared
- 10 by the director pursuant to subdivision (d).
- 11 (b) The report, including the state agency's response to review
- 12 recommendations, shall be signed by the head of the agency and
- 13 addressed to the agency secretary, or the director for agencies
- 14 without a secretary. Copies of the reports shall be posted on the
- 15 agency's Internet Web site within five days of finalization, and
- 16 submitted to the Legislature, the California State Auditor, the
- 17 Controller, the Treasurer, the Attorney General, the Governor, the
- 18 director, and to the State Library where they shall be available for
- 19 public inspection.
- 20 (c) The report shall identify any material inadequacy or material
- 21 weakness in an agency's systems of internal accounting and

1 administrative control that prevents the head of the agency from
2 stating that the agency's systems comply with this chapter. No
3 later than 30 days after the report is submitted, the agency shall
4 provide to the director a plan and schedule for correcting the
5 identified inadequacies and weaknesses, which shall be updated
6 every six months until all corrections are completed.

7 (d) The director, in consultation with the State Auditor and the
8 Controller, shall establish, and may modify from time to time as
9 necessary, a system of reporting and a general framework to guide
10 state agencies in conducting internal reviews of their systems of
11 internal accounting and administrative control.

12 (e) The director, in consultation with the State Auditor and the
13 Controller, shall establish, and may modify from time to time as
14 necessary, a general framework of recommended practices to guide
15 state agencies in conducting active, ongoing monitoring of
16 processes for internal accounting and administrative control.

17 ~~SEC. 2. Section 13887.4 is added to the Government Code, to~~
18 ~~read:~~

19 ~~13887.4. A state agency shall post any audit findings and~~
20 ~~recommendations on its Internet Web site within five days of a~~
21 ~~report being made pursuant to paragraph (2) of subdivision (a) or~~
22 ~~paragraph (2) of subdivision (b) of Section 13887.~~